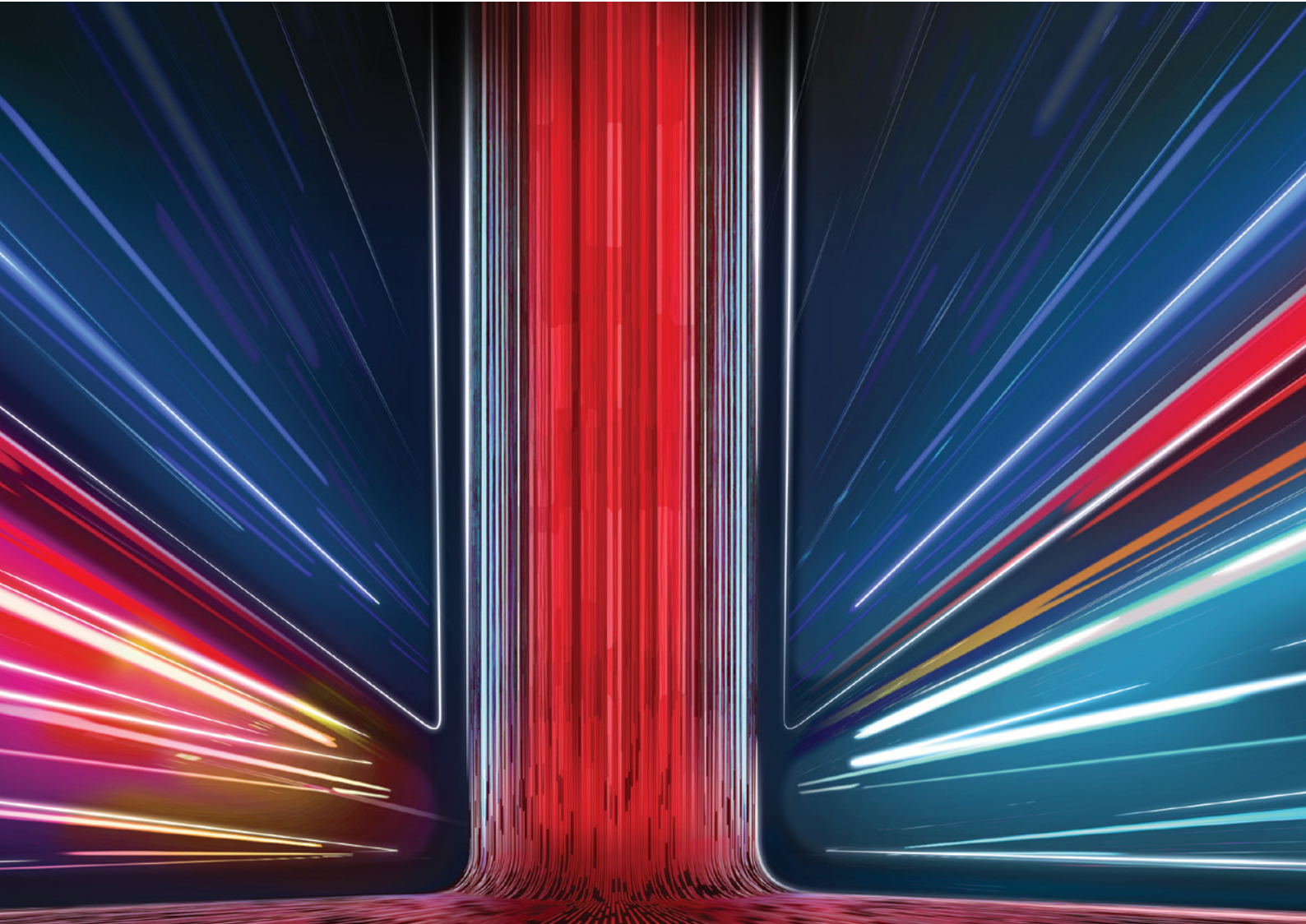




UK Government

# INVEST 2035:

The UK's Modern Industrial Strategy



The UK has significant and historic strengths that are the foundations of a vibrant, global economy.

With one of the most globally-connected economies in the G20<sup>1</sup>, the most unicorns in Europe,<sup>2</sup> and only the third country in the world to have a tech sector valued at over \$1 trillion,<sup>3</sup> the UK is an international hub for investment and one of the best places in the world to start and grow a business.



Our strengths are diverse and built on our openness and commitment to a modern, forward-looking economy. We have:



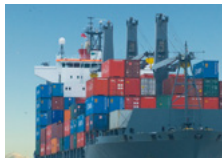
#### **A WORLD-CLASS RESEARCH BASE**

facilitated by strong collaboration between academia and industry. The UK has 4 of the world's top 10 universities<sup>4</sup> and has more science Nobel Prizes per head than any other country.<sup>5</sup> Our R&D ecosystem includes over 140 science parks<sup>6</sup> and 9 research and technology Catapults across the UK.<sup>7</sup> In 2023 there was around \$2 billion in equity investment spinouts from UK universities.<sup>8</sup>



#### **A GLOBAL SERVICES INDUSTRY**

We are 2<sup>nd</sup> to the United States as the world's biggest services exporter.<sup>9</sup> Our world-renowned legal system ensures the UK is a preferred destination for agreeing commercial contracts and dispute resolution.



#### **ONE OF THE WORLD'S LARGEST TRADING NATIONS**

and one of the most globally connected economies in the G20,<sup>10</sup> with excellent international transport links, the home of the language for business, and at the centre of the world's time zones.



#### **A STRONG AND DIVERSE WORKFORCE**

4<sup>th</sup> in Europe for tertiary education and 7<sup>th</sup> in the OECD.<sup>11</sup> Our people are supported by an immigration system that attracts the brightest and best, with the UK the 2<sup>nd</sup> most attractive country in the G20 for young people.<sup>12</sup>



#### **A STRONG CREATIVE AND PRO-ENTREPRENEURIAL ENVIRONMENT**

with the most successful start-up hub in Europe and the world's 3<sup>rd</sup> largest venture capital market.<sup>13</sup> This is underpinned by stable competition and regulatory frameworks, with globally influential regulators and standards-setting bodies.

Our strengths are not only concentrated in London, Europe's most powerful economic and financial centre, but also the South East – a world leader in life sciences and digital technologies.<sup>14 15</sup> There is also enormous untapped potential in city-regions and clusters across the UK – whether offshore renewables in the North

Sea,<sup>16</sup> financial, professional and business services in Edinburgh,<sup>17</sup> Life Sciences in Greater Manchester,<sup>18</sup> creative industries in the South-West and Northern Ireland,<sup>19</sup> or manufacturing in the Midlands<sup>20</sup> and Wales;<sup>21</sup> the whole of the UK is a strong destination for business investment.

# OPPORTUNITIES

We have identified 3 critical opportunities aligned with our strengths, which we will capitalise on to attract investment as we enter major global investment cycles:



## THE NET ZERO TRANSITION

According to forecasts published in 2017, the UK's low carbon economy market size could be worth up to \$1.8 trillion by 2050.<sup>22</sup> The UK will be among the first to deploy CCUS technology at scale in Teesside and Merseyside.<sup>23</sup>



## THE ADVENT OF ARTIFICIAL INTELLIGENCE, DIGITALISATION AND INCREASED AUTOMATION

The UK's digital infrastructure, skilled workforce and enabling regulatory framework, means we are excellently placed to benefit from AI. Estimates suggest productivity could increase by up to 1.5% annually.<sup>24</sup> The UK's digital sector is thriving, with specialisms in areas such as FinTech and MedTech.



## THE CHANGING PATTERNS OF DEMAND AND DEMOGRAPHICS

The number of middle-class consumers could almost double to 3.5 billion by 2050.<sup>25</sup> UK exporters are well-placed to capitalise on an expanding global middle class, as richer populations tend to buy high-value goods and services that UK businesses specialise in.

Our strengths position us well to seize the economic opportunities of the coming decade. The world around us is changing and we are determined to be a global leader in the industries of the future, using our international advantages.

We must be nimble to build resilience and seize the opportunities presented by changing global supply chains. Although there will be difficult decisions to make, growth and security do not have to be trade-offs; resilient supply chains set the foundations for economic growth.

We are also pursuing modern trade agreements and wider economic partnerships that maximise international opportunities for UK businesses and open new routes for anyone investing in the UK. We will deliver our international trade and investment priorities, with our Growth

Mission at its heart, by employing tools ranging from trade deals to support for exporters. The EU, as a bloc, remains our largest trading partner. We will strengthen our relationship with the EU and work to identify areas where we can enhance cooperation for mutual benefit, such as the economy, energy, security and resilience.

We are also committed to ensuring UK business can take full advantage of trade deals, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which will span 5 continents and almost 600 million people once the UK joins.



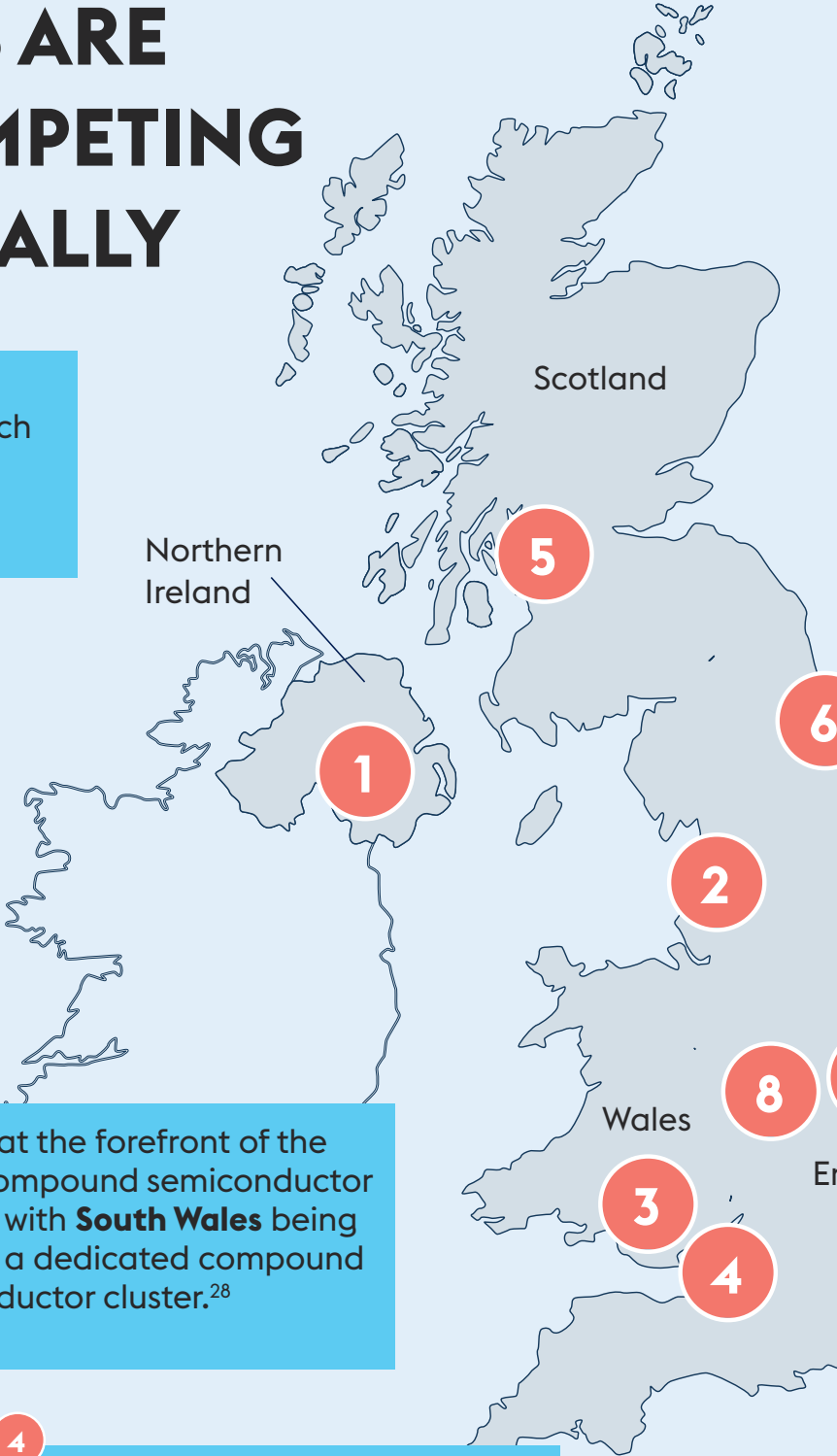
# THE UK'S NATIONS AND REGIONS ARE ALREADY COMPETING INTERNATIONALLY

1 \$500 billion flows through **Belfast** each day, representing 10% of the global FX market.<sup>26</sup>

2 **Lancashire** is top four in the world for aerospace production, with 500 aerospace supply chain companies.<sup>27</sup>

3 **Wales** is at the forefront of the global compound semiconductor industry, with **South Wales** being home to a dedicated compound semiconductor cluster.<sup>28</sup>

4 The **South West** produces 35% of global natural history content and over 800 million people watch digital content produced here every month.<sup>29</sup>





5

**Glasgow**

builds more small satellites than any other place in Europe.<sup>30</sup>

6

Along with Merseyside, **Teesside** will be the location of one of the first deployments of carbon capture at scale.<sup>31</sup>

7

Siemens Gamesa plant in **the Humber** has already made over 2500 wind turbine blades for deployment in the North Sea, capable of powering 6.7 million homes.<sup>32</sup>

9

MIRA Technology Park, located in the **Borough of Hinckley and Bosworth**, is one of Europe's largest automotive Research and Development clusters.<sup>34</sup>

8

Every commercial plane in operation contains components made in the **Black Country**.<sup>33</sup>

10

As of 2023, a total of 23 businesses born in **Cambridge** have reached the \$1 billion 'unicorn' status and the city is one of Europe's largest technology clusters.<sup>35</sup>

11

**London** is Europe's number one destination for Financial and Professional Services FDI.<sup>36</sup>

12

**Shepperton** is home to the second biggest film studio in the world, with Amazon MGM Studios and Netflix in occupation.<sup>37</sup>





# OUR VISION FOR A MODERN, SUCCESSFUL INDUSTRIAL STRATEGY

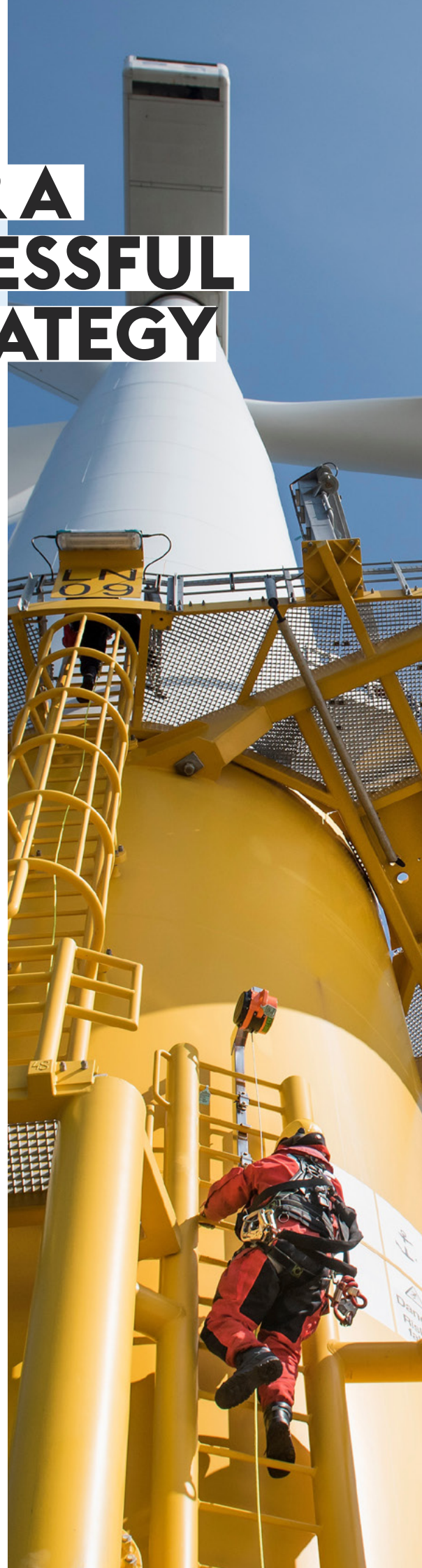
## **ECONOMIC GROWTH IS THE NUMBER 1 MISSION OF THIS GOVERNMENT.**

Growth that is also resilient, sustainable and makes every part of the country better off. To do this, we must get businesses in the UK and abroad investing in our places, people and products.

Our new, modern Industrial Strategy will be a crucial part of the Growth Mission. It will build on the strong foundations outlined above to maximise the greatest sectoral opportunities and raise investment - an essential step in achieving long-term sustainable, inclusive and resilient growth.

To develop the Industrial Strategy, we are prepared to tackle the issues head on and listen to the needs of business. Our aim is to provide the certainty, simplicity, and stability for industry to confidently invest in the UK.

Our Industrial Strategy will create the conditions to capture a greater share of internationally mobile investment in strategic sectors and motivate domestic business to boost their investment and scale up their growth. To do this, we are guided by 4 principles: Stable, Open, Ease, Strategic.







## STABLE

# BUILDING LONG-TERM STABILITY

We will not repeat the mistakes of the past. Too often, the impact of industrial strategies has been concentrated in certain regions and not shared across communities. Businesses tell us that past plans have been short lived and often been felt by business as done **to** rather than **with** them.

To succeed, we will ensure all of government is working in unison, with every action taken considering how to spur investment and growth. The Industrial Strategy will be done in partnership with business, unions, and local and devolved governments, working as one to identify barriers to investment, build long-term confidence and kick-start growth. As part of this, we will promote stable regulatory frameworks to give businesses the certainty they need to invest.

To underline our commitment to business, we are going to establish a statutory, independent, and evidence-led Industrial Strategy Council, reporting to the Business and Trade Secretary and the Chancellor of the Exchequer. This will ensure our interventions are informed by a broad and high-quality evidence base; building trust with our partners.

Ahead of introducing legislation, we are forming the Industrial Strategy Advisory Council chaired by Clare Barclay, CEO of Microsoft UK, who will bring a wealth of leadership experience from the top-flight of business.

The Council will make recommendations, focusing on growth-driving sectors and the pro-business environment. It will also monitor and evaluate impact. Data and analysis will be central to this mission.



**OPEN**

## **RENEWING OUR COMMITMENT TO FREE AND FAIR TRADE**

We will ensure our Industrial Strategy is international from the start and aligned with our Trade Strategy, to attract quality investment from abroad and expand markets for our growth-driving sectors, as well as across the wider economy.

The UK is a truly global economy with connections extending to the whole world. This is facilitated by trade agreements with the EU all the way through to a cutting-edge digital economy agreement with Singapore and digital partnerships with Republic of Korea and Japan.

The coming year is critical for going further with our trading and wider economic relationships. We will build on the UK's trade and investment relationship with the EU, taking forward an agenda of strengthened cooperation at pace.

We will also seek economic partnership opportunities internationally to build future markets, address shared challenges and respond to the risks and opportunities of the changing geopolitical context.

Our overseas trade and diplomatic network – one of the largest in the world – will proactively support international business to invest in the UK, and UK companies to export and find new markets.<sup>38</sup>





## EASE

# EASING THE INVESTOR JOURNEY

We will ensure our Industrial Strategy is pro-business and focused on reducing barriers to investment in the UK. To do this, we must make it simpler and cheaper for companies to scale up and invest.

We will give the Office for Investment more resources, more commercial specialists and a clear mandate from the Prime Minister, Chancellor, and Business Secretary to land transformative investments.

The first steps in a fundamental shift towards backing growth have already been taken through planning reform announced in the summer. This will unlock infrastructure investment across the country and we will augment this through the development of clear investment propositions. In line with recommendations from the National Wealth Fund Taskforce, we are creating the National Wealth Fund which will unlock billions of pounds in private investment, supporting the Industrial Strategy.





But we have heard from business that we must go further. Our Industrial Strategy will consider how we can address issues that are critical for driving investment such as skills, recruitment of international talent, data, R&D, technology adoption, business finance, competition, regulation, grid connections, energy prices, planning and infrastructure.

## STRATEGIC

# BEING A STRATEGIC GROWTH-FOCUSED STATE

We are committed to using the power of Government strategically to support and shape the UK's economy and future growth. Through the Industrial Strategy, we will harness our strengths to create an economy that produces high yields for investors and highly paid jobs for working people.

The Industrial Strategy requires us to make choices. To have the greatest impact we must be clear-eyed about the sectors which offer the highest growth opportunity for the economy and businesses, including where the UK has existing and nascent strengths. Between 1997 and 2022, the UK's economy has been driven by a narrow set of highly productive industries with the top 30% of sectors ranked by productivity in 1997 accounting for roughly 60% of all productivity growth from 1997 to 2022.<sup>39</sup>

The UK can compete on quality and generate high returns in the services, technologies and supply chains of the future. To do this, we will foster a more dynamic scale up environment that enables innovative businesses across the UK to thrive on the global stage.

We have identified the following growth driving sectors:



**Advanced Manufacturing:** one of the world's largest manufacturing sectors and the fastest productivity growth in the G7 between 2010 and 2021,<sup>40</sup> and a £216 billion output in 2023.<sup>41</sup>



**Creative Industries:** World renowned creativity, from music to films, and the third largest creative services exporter in the world behind the US and Ireland.<sup>42</sup>



**Clean Energy Industries:** rapid growth in global demand for low-carbon products, with global market opportunity of £1tn for British businesses in the period from 2021 to 2030.<sup>43</sup>



**Defence:** Ministry of Defence spending supports around 434,000 jobs across the UK, equivalent to 1 in 60 UK jobs.<sup>44</sup>



**Digital and Technologies:** 3<sup>rd</sup> country in the world to have a tech sector valued at over \$1 trillion.<sup>45</sup>



**Financial Services:** UK fintech firms won more investment than those in the next 28 European countries combined.<sup>46</sup>



**Life Sciences:** Home to a strong sector of over 6,800 life sciences businesses in 2021/22 that generated over £100 billion worth of turnover.<sup>47</sup>



**Professional and Business Services:** 2<sup>nd</sup> largest exporter of professional and business services in the world,<sup>48</sup> generating £174 billion in exports in 2023 and 20% of all UK exports,<sup>49</sup> plus 1 in 7 jobs.<sup>50</sup>

In the next stage of development of the Industrial Strategy, the Government will prioritise subsectors within these broad sectors that meet our objectives and where there is evidence that policy can address barriers to growth. Ambitious and targeted Sector Plans will be designed in partnership with business, devolved governments, regions, and other stakeholders, through bespoke arrangements tailored to each sector.

We are committed to unleashing the full potential of our cities and regions: attracting investment and creating the best environment for businesses in them to thrive. The prize is greater opportunities for business, a more prosperous UK and high-paid work in all corners of the country.

This will be done in lockstep with local and devolved leaders. We will give Mayors in England the tools they need to grow their economies and develop ambitious 10-year Local Growth Plans. We will also work in partnership with the devolved governments to make this Strategy a UK-wide effort. In doing so, we will explore how the Industrial Strategy can identify, select and intervene in the most important industrial sites and sectoral clusters across the UK; making them magnets for globally mobile investment.

The Industrial Strategy will also be developed alongside our plan for Making Work Pay, which will build a skilled and productive economy where high-quality businesses can flourish.

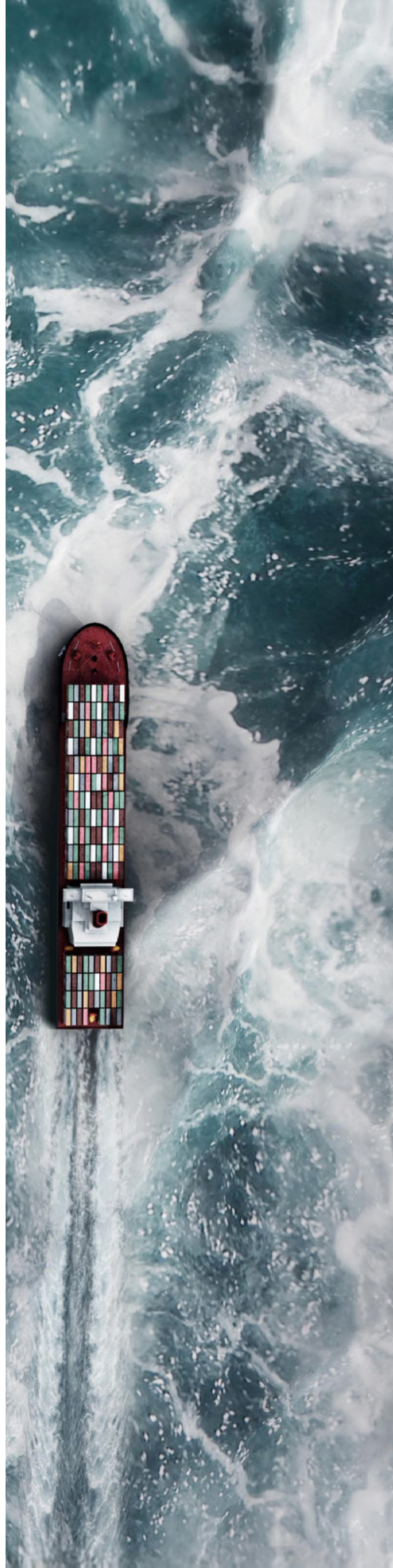




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**UK Government**

### **Department for Business and Trade**

The UK's Department for Business and Trade is an economic growth department. We ensure fair, competitive markets at home, secure access to new markets abroad and support businesses to invest, export and grow. Our priorities are the Industrial Strategy, Make Work Pay, the Trade Strategy and the Plan for Small Business.

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